

The luxury of time

With Indonesia's population of 240 million and rapidly growing middle class, it's clear there is great potential for growth and stability in Indonesia's luxury market. While luxury goods markets in the developed world are cooling down, emerging economies such as Indonesia host a new market in which many people are luxury-brand conscious. **Jassmyrn Goh** and **Sashia Samira** report.

For savvy shoppers, the power of shopping reflects the purchase of quality goods that look better and are designed to last, and of course were priced within the budget.

In Indonesia that means business for luxuries, and Ravi Thakran, head of French-based multinational apparel and accessories company LVMH, predicts that this will become the largest luxury market in Southeast Asia over the next few years. Indeed, Indonesia promises to be one of the star markets for South Asia, Southeast Asia and the Middle East combined.

Although traditionally many wealthy Indonesians banked on their overseas trips to gratify their lust for luxury brands, political stability and a thriving economy have been silently boosting Indonesia's own luxury market. Over the next two to three years, LVMH plans to expand and open more brands in the country. "Asians are buying the highest-priced segment and the most sophisticated of the products," Thakran told a CNBC interviewer.

With conspicuous consumption as an expression of success, luxury brands are rushing to include Asia in their market. The 'bling-oriented'



FERNANDEZ HUTABARAT, MONTBLANC, TAG HEUER

Bernard Suwanto, managing director of Montblanc's Indonesian agent, PT Sumaco Wahana Utama.

or 'new trend' shoppers translate into a new customer base.

Prominent among the baubles snapped up by Asia's wealthiest are watches. Aside from being a useful device to tell the time, watches have an additional function as an accessory or jewellery, particularly for men. Asia's luxury consumers have now come of age and are acquiring a more refined taste with watches particularly popular, noted Thakran.

Among the LVMH brands, Montblanc, founded in 1908, is one of the pinnacles of luxury brands, mainly specializing in writing instruments and watches. With Montblanc's seven stores across Indonesia, the brand has been present locally for more than 30 years.

Due to its products' timeless nature, Montblanc does not usually watch trends. Nevertheless while writing instruments and leather goods are the trademark, its watch business is growing faster than the company itself expected.

"The Montblanc market in Indonesia is already quite established given its history here. As it is a timeless brand, trend does not play a big part," said Bernard Suwanto, managing director of Montblanc's Indonesian agent, PT Sumaco Wahana Utama.

Even so, Montblanc's timeless nature has lent its sheen to the most popular of the watches, the Nicholas Rieussec collection, already a must-have for the aficionado of the brand.

Reports earlier this year said watches and jewelry have become the icon of status among the wealthy in Indonesia. The luxury watch market alone is valued at around \$200 million per year.

Like every consumer-based business, Bernard says Montblanc needs to nurture its growth and popularity, but also be wary of the global situation as it will in some way affect the market and naturally profits. "Asia as a region has been quite fortunate but we still need to be sensitive to what is happening elsewhere as ultimately Asia is part of the global economy too," he said.

With these issues and strategies in mind, future plans for Montblanc include further strengthening of brand positioning in Indonesia and a continuing supply of luxurious and quality merchandise. Above all, the brand will continue to create products with 'soul.'

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Classic brands

Time International is responsible for brands including Rolex, Hublot, Chanel, IWC, TAG Heuer, Corum and many more. Over the past decades, Rolex has successfully maintained its strong upper-end market position and the adoration of consumers. Many even purchase a Rolex as an investment since it is appreciated that Rolex watches can be passed down the generations. Sentiment plays a strong part in helping the evolution of rising desire of consumers to experience their first Rolex.

PT Time International closely monitors the luxury watch market and is closely eyeing several brands now popular in the industry. While Rolex returns a significant contribution to the company's revenues, brands like TAG are selling like peanuts.

Eric Vergnes, VP for Southeast Asia for LVMH, told *GlobeAsia* that TAG's market has grown remarkably over the past years. Cindy Lee, export brand director of LVMH Singapore, adds that TAG has always been a popular brand. Globally TAG continues to grow market share and sales volume, while at the same time expanding its network in Indonesia. "There are many potential cities besides Jakarta and Surabaya, and we're planning to enter that market," said Lee.

What will not change is the insistence within the industry of the highest standards of production. A brand's reputation rests on its quality and longevity and word-of-mouth can be destructive if something goes wrong, just as it is the best form of advertising when quality, design and strength combine to create a customer's much-loved timepiece.

With watches produced by brands like Corum selling at around \$20,000 and above, price is also a product of a brand's reputation. At such fine prices for such fine products, Corum and its fellow brands at a similar level of the market in Indonesia continue to do well.

Nicole Segundo, manager for Corum brand in Singapore, Malaysia and Indonesia, was thrilled to showcase the brand's recent models last July in Jakarta. Corum was able to link up with many of its brand aficionados.

Even with the power of the brand, the luxury watch industry is built on everyday factors such as design, production standards and price. Marketing is important, too, with brands working hard to convince customers that their products are worth having. It is a competitive and highly sophisticated market, for successful people. GA